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MBTA FARE POLICY STATEMENT

This Fare Policy Statement was recommended by the MBTA Board of Directors Fare Policy Subcommittee, and adopted by the full MBTA Board of Directors on January 6, 1993.

INTRODUCTION

The work of the MBTA Board of Directors Fare Policy Subcommittee has been guided by four policy priorities established by the entire Board to direct management of the Authority. These policy priorities are:

1. To operate service in a more efficient manner which is more responsive to consumer needs;

2. To promote the expansion of commuter rail services to reach more residents and workers, and to support economic growth in the Commonwealth;

3. To provide public transportation infrastructure support to build the Central Artery / Third Harbor Tunnel; and

4. To reform the budget, financial management, and revenue systems to reduce the MBTA's dependence upon State assistance.

Based upon these four policy priorities, our collective experience relating to management of the MBTA and the delivery of public services, our study and consideration of the many factors relevant to the MBTA's fare level and structure, the constructive comments and helpful suggestions which we have received from members of the Revenue and Service Advisory Committee and from the MBTA Advisory Board, and analysis and information provided by MBTA staff;

The MBTA Board of Directors has reached the following conclusions and adopt the following fare policy.

PRINCIPLES

We believe that the following principles must underlie the MBTA's fare policy:

- We Believe that the MBTA's services constitute an <u>important public good</u>, because:
  (i) the availability of efficient, reliable, high quality, and affordable public transportation is key to the long-term <u>economic, social, and cultural vitality</u> of the region; and

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(ii) neither a successful transportation network with well-functioning roadways nor acceptably clean air are possible without widespread use of mass transit in lieu of private vehicles.

- We Believe that the MBTA's primary mission must therefore be to attract and retain riders, in order to generate these important public benefits.

- We Believe that users and non-users alike benefit from the MBTA's services and should pay their fair share of the cost of those services. This means that people should pay a reasonable fee to use MBTA services and facilities, and also that people who do not ride the MBTA should help pay for the public benefits generated by the MBTA: reduced air pollution and traffic congestion, as well as enhanced economic, social, and cultural vitality.

- We Believe that the MBTA's fares should be equitable. Equity considerations should be reflected as follows:

(i) To the extent feasible the MBTA's fare structure should reflect any significant differences in:
   - the quality of each mode of mass transit service;
   - the quantity of the services used by each rider;
   - the marginal cost of the service received by each rider; and
   - riders' ability to pay for public transportation services.

(ii) The MBTA must keep its fare structure simple and comprehensible, and that simplicity should not be sacrificed for the sake of some theoretical principal of true equity. Rather, we believe that the MBTA should instead make sure that its charges are not grossly unfair in terms of the quality, quantity, or cost of services provided or in terms of riders' ability to pay for those services.

(iii) Fares charged on different modes or routes should be differentiated primarily on the basis of the quality of the ride, recognizing any substantial differences in convenience, speed, or comfort experienced by riders.

(iv) Differences in the quantity of services used, as measured by miles travelled, should only be taken into account on longer trips, such as on the commuter rail system, on longer express bus routes, or at outlying rapid transit stations. In such instances considerations of quantity should be reflected through a system of modified fare zones.

- We Believe that everyone who helps pay the MBTA's costs should receive value for their dollar. This means that the MBTA must provide riders with reliable, clean, safe, and

convenient service; and that the MBTA must operate as efficiently as possible so that all those who help pay the MBTA's expenditures know that their money is being managed wisely.

CONTEXT

We recognize that the following circumstances and practical considerations must be taken into account as these principles are applied via the development and implementation of a fare policy statement.

- The federal Clean Air Act of 1990 obligates Massachusetts to eliminate 15 percent of its smog-producing pollution by 1996, and 24 percent by 1999. The State's Department of Environmental Protection has already made clear that, since a significant portion of such pollutants comes from automobile exhaust, convincing people to use public transportation rather than their private vehicles must be an important part of the State's strategy to comply with the new federal requirements. Failure to reduce auto emissions by inducing use of mass transit will mean that Massachusetts will have to reduce emissions elsewhere, which could have a significantly negative economic impact on businesses in the region.

- Commencement of the Central Artery / Third Harbor Tunnel project serves as a dramatic reminder that the region's road network cannot function well without a successful, complementary system of mass transit. The success of this Project, both during construction and after completion, will depend in part upon success in promoting mass transit use in lieu of private vehicle use in and around Boston.

- The MBTA's current revenue sources to fund operating costs other than debt service are under increasing pressure. The federal government has significantly reduced its operating subsidies for urban mass transit, and the aggregate assessments on the MBTA's member cities and towns are statutorily capped and cannot grow by more than two and one-half percent annually, and the Commonwealth's ongoing budget difficulties have spawned repeated attempts to reduce the State's subsidy of MBTA operations. Though the State's fiscal condition has improved dramatically since 1990, the Commonwealth is now in its sixth straight fiscal year in which its operating expenditures will exceed its current operating revenues.

- The amount that people travel and their willingness and ability to pay for transportation are affected by general economic conditions. Highway, toll road, and mass transit use all tend to decline in a recessionary economy, and to increase in an expanding economy.

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- The MBTA's Board of Directors are committed to continue providing at least the current level and quality of service, to the extent that the MBTA can attract sufficient demand for its current services, and are also committed to expanding, shifting, or otherwise improving services where it is sensible and feasible to do so. This includes a commitment to sound maintenance of and reinvestment in the MBTA's facilities and vehicles.

- Higher transit fares, and especially dramatic and rapid increases in fares, tend to discourage use of a public transportation system and encourage use of private vehicles.

- The MBTA's ability to attract new riders is affected by the strategies which are implemented by the Commonwealth's other transportation and planning agencies, municipalities, and private employers.

POLICY GOALS

We conclude that the MBTA's long-term fare policy and short-term plan and procedures for implementing that policy should be as follows.

Long-Term Policy Goals

The MBTA plans to do the following over the next two to five years.

- Work to boost ridership and market share, and to increase the number of passenger miles travelled on the MBTA. In deciding among possible projects to improve or expand services, the MBTA should give priority to those efforts which will be the most efficient in that they will tend to boost ridership the most per dollar expended. In choosing among comparably efficient initiatives, the MBTA should give priority to those which are likely to provide the greatest stimulus to economic growth.

- The MBTA should establish a goal of 33 and 1/3 percent for the MBTA's fare recovery ratio, as has been recommended by the MBTA Advisory Board. This ratio is defined as bus and subway revenues divided by operating expenses, excluding the commuter rail and local service subsidies, and interest on unfunded debt.

- Work with the Executive Office of Transportation and Construction and other transportation agencies — as well as the Governor, the Legislature, and municipal governments — to better integrate the MBTA's operations with other regional transportation and land use policies, such as by coordinating MBTA fare policy with

congestion pricing on the region's roadways and by developing new, alternative sources of funding for the MBTA's public transportation services.

Short-Term Plan

The MBTA plans to focus on achieving the following over the next two years:

- Having increased fares twice in the past three years the MBTA should not increase its fares again before January 1, 1994.

- Bolster the MBTA's marketing and public information efforts, to provide better information about available services and to explain to riders and non-riders alike how the MBTA is spending the moneys made available to it and what benefits are being created as a result.

- Redouble the MBTA's efforts to hold down costs by developing more efficient ways to provide its public transportation services, both as a means of achieving the Authority's long-term revenue recovery ratio goal and in order to use its operating budget and other resources as effectively as possible.

- Continue testing and installing new fare collection equipment on buses, trackless trolleys, and surface Green Line vehicles, and select new equipment to be installed and fully operational in rapid transit stations by the end of 1995, that will enable the MBTA to achieve the policy objectives established in this fare policy statement while:
  - providing better and more timely fare and ridership data;
  - helping the MBTA to further reduce fare evasion;
  - building on the success of the monthly pass program and allow the MBTA to make more use of pre-paid fare media, in order to simplify use of the MBTA and permit better use of staff currently assigned to fare collection tasks; and
  - providing some flexibility regarding the use of transfers, the structure of the MBTA's modified zone system of fares, and other changes in fare levels and structure.

- The MBTA should also report on its plans for any changes to its fare structure that will be introduced in conjunction with its new fare equipment by December 1993.

- Seek alternative sources for providing social discounts to selected groups of riders.

  - It is more appropriate for other agencies with a mandate and the ability to provide services to these groups in general also to be responsible for providing or paying for free or discounted transportation to their constituents. Otherwise they have limited incentive to ensure that specialized or targeted transit services are provided effectively to those who really need them.

  - In addition, the MBTA must learn more about external factors that affect use of MBTA services by groups eligible for discounted fares. The MBTA staff is therefore directed to submit a written report to the Board no later than May 15, 1993, that analyzes use of the MBTA by elderly, handicapped, and student riders, and evaluates the effect that external factors such as transportation services by local councils on aging or other organization, the implementation of school choice initiatives, and the limits on municipal responsibility for school transportation have on such use.

- Within the technological limitations of existing equipment, the MBTA should evaluate the ridership, passenger mile, cost, revenue, and operational impacts of the following <u>fare structure options</u>:
  - better integrating the fare structure and fare media across different modes and elements of travel, including parking and subsidized private carrier services, as a means of simplifying use of the MBTA system;
  - offering reduced-cost transfers in some situations; and
  - adapting the MBTA's pass program for frequent riders and untapped target groups, as a means of promoting ridership and operational efficiency without unnecessarily foregoing revenues.

  However, the MBTA's evaluation of new fare structure options should be informed by the following considerations and constraints:

  - First, in order to avoid unnecessary confusion and cost, the MBTA's basic fare structure should only be changed:
    + to generate significant increases in overall ridership levels;
    + in order to remedy significant and identifiable inequities; or
    + if necessary to implement significantly more efficient operating practices.
  - Second, no fare structure changes should be implemented if they will result in a significant and disproportionate loss of revenue.

- Third, since analysis by MBTA staff indicates that the implementation of free, systemwide transfers would cost at least $20-25 million per year in foregone revenues and (as shown in the draft EIR on the 1991 fare increase) that systemwide transfers implemented in conjunction with fare changes designed to be revenue neutral would not have any significant impact upon ridership levels, transfers should not be implemented unless and until new fare collection equipment makes it possible to offer transfers only in those situations where they are a cost-effective way to increase ridership.

Procedure for Identifying, Determining, and Implementing Fare Changes

- The process of evaluating and making decisions about MBTA fares is constrained by several federal and state statutes.

  - Federal law requires the MBTA, in exchange for financial assistance under the federal Urban Mass Transportation Act of 1964, to provide assurances that it "will not change any fare and will not substantially change any service" except after public hearings, after giving proper consideration to the views and comments expressed in those hearings, and after considering the economic, environmental, social, and energy-consumption impacts of the fare or service change. 49 U.S.C. § 1604(i)(3).

  - The Massachusetts Environmental Policy Act requires the MBTA to file an environmental notification form before implementing any fare change that would result in "systemwide fare increases" of 30 percent or more during any three-year period. 301 C.M.R. § 11.27(2). The MBTA may also, at the discretion of the Secretary of Environmental Affairs, be required to undertake further environmental review of any increase that reaches the 30 percent over three-years threshold.

  - The MBTA's enabling act provides that changes in fares, other than those for express service, must be approved by the MBTA Advisory Board. Changes in fares for express service must be reported to the advisory board, but need not be approved by it. G.L. c. 161A, § 5(e).

- The MBTA Board of Directors does not believe that fares should be automatically tied to changes in some objective index such as the cost of automobile use, or that any future fare increases should automatically be triggered by some objective criterion. No other major public transit system in the country sets its fares in such a manner, and to the MBTA's knowledge no charges, fees, or taxes levied by any other public entity in

Massachusetts are set in such a manner. The establishment of fare levels and structure is and always should be a subtle and complex policy judgment that must take into account many subjective factors.

The Board does believe, however, that the process of evaluating and revising MBTA fare levels and structure can and should be made more rationally systematic, and less *ad hoc*. In order to do so, from now on the MBTA will institute and follow the procedures outlined below.

The MBTA will institute an annual review of its fare levels.

- Each year, beginning in May of 1993, the General Manager shall submit a written report to the Board that evaluates and summarizes factors that are relevant to fares. It should address factors internal to the MBTA, such as:

  + fare recovery ratio — if the ratio has been or is expected to be less than the 33 and 1/3 percent target, the MBTA may consider raising fares;

  + operational efficiency — any failure by the MBTA to hold down its inflation-adjusted cost per mile of service would suggest that increasing future operational efficiency will be needed to maintain or increase the revenue recovery ratio;

  + ridership levels — fare increases make more sense when ridership is increasing rather than decreasing;

  + market share — market share similarly indicates that willingness and ability of riders to pay for MBTA services.

  + availability of capacity — as with any business, the availability of service capacity should also be considered when setting fare levels.

  The annual report should also address external factors, such as:

  + cost inflation — in order to remain as competitive as possible on the basis of price, the MBTA should try to ensure that any increases in its fares for a given amount and quality of service do not exceed increases in the cost of commuting by private automobile or in consumer prices in general;

+ clear air standards — the MBTA needs to monitor the State's progress toward attaining federal clean air standards, because it may be appropriate for the MBTA to compete more strongly on the basis of price if the State fails to attain the required, lower levels of airborne pollutants.

This list of factors to be discussed in the annual fare review is not meant to be exhaustive, and should be expanded or otherwise changed as new information becomes available or as other considerations take on more importance.

- The annual fare review should analyze and summarize the MBTA's performance or contribution in the areas reflected by such factors. The annual review should also recommend a plan to be followed over the following five years to improve the MBTA's performance or contribution in those areas, and in particular make specific recommendations regarding fare levels and structure and regarding whether to shift or expand services to particular markets during that period. Each annual fare review should summarize the progress made by the MBTA over the prior year toward achieving the policy objectives set forth in the current five-year fare plan and in the MBTA's current fare policy statement.

- The first annual fare review submitted by the General Manager should also include an evaluation of targeted mitigation measures designed to regain ridership lost from April 1991 to September 1992.

- The MBTA Board of Directors shall decide each year in a timely manner whether to accept the recommendations and the five-year plan set forth in the annual fare review, and whether to make or propose any other changes in fares.

- The MBTA does not intend to propose fare changes except as a result of this annual review process. However, the MBTA realizes that it does not have independent control over its finances, and may on occasion be forced by other decision makers to make adjustments in its fares.

- Any time that the MBTA does propose a fare change, whether it reaches that decision through its annual fare review or as a result of uncontrollable external influences, it will use the following public process to notify and take comment from the public:

  - The MBTA will hold five to ten public hearings in separate locations throughout the MBTA service district. These hearings will be publicized in daily and weekly newspapers at least ten days before they are held.

- The MBTA will publicize all aspects of any proposed fare changes. A full description of the proposed new fares shall be distributed, either in newspaper advertisements or in a printed flyer available at MBTA stations and on vehicles, at least 10 days in advance of the first public hearing. In addition to cash fare changes, this description shall include any proposed changes in pass prices or validity, parking fees, and transfer charges.

- MBTA staff will submit a report to the Board within a week after the last hearing, summarizing the comments made at the hearings and recommending any appropriate revision to the proposed fare change in response to those comments.

- The Board will consider the staff's summary of public comments before taking any final vote on a proposed fare change.

- This is essentially the process that was followed by the MBTA in conjunction with its 1991 fare increase. The process appeared to work well and meet with general acceptance and approval in 1991.

Annual Review of this Fare Policy Statement

This fare policy statement shall be reconsidered and updated by the MBTA Board of Directors on an annual basis during June, July and August, following the submission of the General Manager's annual fare report and before the MBTA's annual budget preparation process. The next Board review of this policy shall be completed by September 1, 1993.